
A BILL FOR AN ACT

RELATING TO CONTRACTING.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Chapter 46, Hawaii Revised Statutes, is amended
2 by adding a new section to be appropriately designated and to
3 read as follows:

4 "§46- Private building developments; tax clearances.

5 (a) No building license shall be granted for a private
6 development valued at \$195,000 or greater, unless the applicant
7 has presented to the issuing officer tax clearances from the
8 director of taxation and the Internal Revenue Service on behalf
9 of the building contractor and any subcontractors. The issuing
10 officer shall verify that all contractors and subcontractors
11 have filed all tax returns due, and that all taxes, interest,
12 and penalties levied against the contractor and subcontractors
13 or accrued under title 14 that are administered by the
14 department of taxation and under the Internal Revenue Code have
15 been paid. The director of taxation may waive the Internal
16 Revenue Service tax clearance requirement if the director
17 determines that it is in the best interest of the State. The



1 department of taxation may require that tax clearance
2 applications be submitted electronically.

3 (b) Any assignment of a contract for a private development
4 valued at \$195,000 or greater shall require the assignee, as a
5 condition precedent to the assignment, to first obtain a bulk
6 sales certificate if required under section 237-43, and present
7 the certificate, or tax clearance as provided under subsection
8 (a) if a bulk sales certificate is not required, to the state or
9 county contracting officer or agent.

10 (c) All state and county contracting officers or agents
11 shall withhold final inspection of a private development valued
12 at \$195,000 or greater until the receipt of tax clearances from
13 the director of taxation and the Internal Revenue Service on
14 behalf of the building contractor and any subcontractors;
15 provided that the tax clearances shall be dated no earlier than
16 forty-five days prior to the date of the request for final
17 inspection of the private development.

18 (d) This section shall not apply to a contractor or
19 subcontractor if the department of taxation certifies that the
20 contractor or subcontractor is in good standing under a plan in
21 which delinquent taxes, interest, and penalties are being paid



1 to the department of taxation or the Internal Revenue Service,
2 if applicable, in installments.

3 (e) Any officer or employee of any governmental agency who
4 intentionally or knowingly violates any provision under this
5 section shall be fined not more than \$1,000 or imprisoned not
6 more than one year, or both.

7 (f) This section shall not apply to the extent and during
8 the period that the validity of the taxes, penalties, or
9 interest is being contested in an administrative or judicial
10 appeal with the department of taxation or Internal Revenue
11 Service."

12 SECTION 2. There is appropriated out of the general
13 revenues of the State of Hawaii the sum of \$3,000 or so much
14 thereof as may be necessary for fiscal year 2019-2020 and the
15 same sum or so much thereof as may be necessary for fiscal year
16 2020-2021 for grants-in-aid to the counties for the enforcement
17 of section 46- , Hawaii Revised Statutes, to be allocated as
18 follows:

- 19 (1) \$500 to the county of Hawaii;
- 20 (2) \$1,500 to the city and county of Honolulu;
- 21 (3) \$500 to the county of Kauai; and



1 (4) \$500 to the county of Maui.

2 The sums appropriated shall be expended by the department
3 of budget and finance for the purposes of this Act.

4 SECTION 3. This Act does not affect rights and duties that
5 matured, penalties that were incurred, and proceedings that were
6 begun before its effective date.

7 SECTION 4. New statutory material is underscored.

8 SECTION 5. This Act shall take effect on July 1, 2050.



Report Title:

DOTAX; Counties; Contracting; Private Developments; Tax Clearance

Description:

Requires contractors and subcontractors to submit tax clearances as a condition of obtaining building permits for private developments exceeding a certain value. Requires contractors and subcontractors to submit additional tax clearances before assignment of a contract for private developments exceeding a certain value. Authorizes the Department of Taxation to require that tax clearance applications be submitted electronically. Establishes penalties. Effective 7/1/2050. (SD2)

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